

Message Text

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ORIGIN EB-08

INFO OCT-01 EA-10 ISO-00 AID-05 CIAE-00 COME-00 FRB-03
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DRAFTED BY EB/OT/STA: W T DIROLL:MEH
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LABOR - J HESTOR
STR - S LANDE
COMMERCE - B ASCHER
TREASURY - M BEASLEY
EA/PRCM - S HALLFORD
EB/OT - S AHMAD

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FM SECSTATE WASHDC
TO AMCONSUL HONG KONG PRIORITY
INFO AMEMBASSY SEOUL
AMEMBASSY TAIPEI

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E.O. 11652: N/A

TAGS: ETRD

SUBJECT: NONRUBBER FOOTWEAR: IMPORTS FROM HONG KONG
CONTINUE THEIR UPWARD TREND

REF: (A) 1977 STATE 215426, (B) 1977 HONG KONG 13014,
(C) STATE 8343, (D) HONG KONG 1145

1. IN REFTEL (C) WE ADVISED THAT HONG KONG SHIPMENTS HAD
INCREASED SUBSTANTIALLY IN 1977 IN COMPARISON WITH THE
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PRECEDING YEAR AND THAT REPORTS WERE CIRCULATING THAT
HONG KONG FIRMS PLANNED TO STEP UP THEIR SHIPMENTS AGAIN
IN 1978. WE ASKED THAT YOU REITERATE TO HONG KONG
OFFICIALS THE CONCERN WE EXPRESSED IN REFTEL (A) OVER A
FURTHER INCREASE IN SHIPMENTS AND, IN SO DOING, REMIND
HKG OFFICIALS OF THEIR INTENTION TO MONITOR THE TRADE.

2. THE INTERAGENCY FOOTWEAR MONITORING COMMITTEE REPORTS THAT IN THE FIRST QUARTER OF 1978 IMPORTS FROM HONG KONG TOTALED 5.8 MILLION PAIRS. THE FIRST QUARTER TOTAL REFLECTS SIGNIFICANT INCREASES, 210 PERCENT AND 307 PERCENT, OVER THE CORRESPONDING PERIODS OF 1977 AND 1976, RESPECTIVELY, AND WAS EQUAL TO 67 PERCENT OF THE TOTAL QUANTITY OF FOOTWEAR IMPORTED FROM HONG KONG FOR THE YEAR 1977 AS A WHOLE. IF IMPORTS WERE TO CONTINUE AT THE FIRST QUARTER RATE FOR THE REMAINDER OF THE CURRENT YEAR THEY WOULD TOTAL 23 MILLION PAIRS, A QUANTITY THAT WOULD BE NEARLY FOUR TIMES GREATER THAN IMPORTS IN 1976 AND MORE THAN TWO AND ONE HALF TIMES GREATER THAN THE RECORD TOTAL IMPORTS OF 8.7 MILLION PAIRS ENTERED FROM HONG KONG IN 1977.

3. THE MONITORING COMMITTEE ALSO REPORTS THAT THE INCREASE IN FIRST QUARTER HONG KONG SHIPMENTS WAS CONCENTRATED IN SHOES VALUED AT NOT MORE THAN ONE DOLLAR TWENTY-FIVE CENTS PER PAIR. ABOUT THREE-FIFTHS OF THE 4.5 MILLION PAIRS IMPORTED IN THAT PRICE CATEGORY WERE CLASSIFIED AS "MISCELLANEOUS" UNDER THE IMPORT MONITORING SYSTEM. MOST OF THE IMPORTS FROM HONG KONG ARE BELIEVED TO CONSIST OF "BEACHCOMBERS (THONG SANDALS WITH MULTILAYERED, MULTICOLORED SOLES)" CASUALS WITH PLASTIC OR RUBBER BOTTOMS AND JUTE OR FABRIC COVERING THE HEELS AND/OR SIDES, CASUALS WITH SOLES AND HEELS OF WOOD OR CORK.

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REPORTS PERSIST THAT IMPORTS FROM HONG KONG INCLUDE LARGE AMOUNTS OF FOOTWEAR PARTIALLY MADE IN TAIWAN AND SHIPPED TO HONG KONG FOR FINISHING.

4. WE CANNOT ALLOW THE LEVEL OF IMPORTS PREVAILING IN THE FIRST QUARTER OF 1978 TO CONTINUE. SHIPMENTS ARE AT A RATE WHICH THREATENS TO COMPROMISE MUCH OF THE BENEFICIAL EFFECT TO THE DOMESTIC FOOTWEAR INDUSTRY STEMMING FROM THE ROLLBACK IN IMPORTS GAINED UNDER THE ORDERLY MARKETING AGREEMENTS NEGOTIATED WITH TAIWAN AND KOREA. IN THE FIRST QUARTER OF 1977 IMPORTS OF FOOTWEAR VALUED AT NOT MORE THAN ONE DOLLAR AND TWENTY-FIVE CENTS PER PAIR FROM ALL COUNTRIES TOTALED 20.5 MILLION PAIRS OF WHICH 16.5 MILLION ORIGINATED IN TAIWAN. IN THE FIRST QUARTER OF 1978 UNDER THE OMA IMPORTS OF SUCH FOOTWEAR FROM TAIWAN TOTALED ONLY 5.8 MILLION PAIRS, A DROP OF 10.7 MILLION PAIRS OR 65 PERCENT FROM THE LEVEL PREVAILING IN THE SAME QUARTER OF THE PREVIOUS YEAR. THE FULL BENEFIT OF THE DECREASE IN SHIPMENTS FROM TAIWAN WAS NOT REALIZED, HOWEVER, AS A SIGNIFICANT PART OF THE DECREASE WAS OFFSET BY A 3.2 MILLION PAIR INCREASE IN IMPORTS FROM HONG KONG.

5. ENTRIES IN THE FIRST QUARTER REFLECT AN UNACCEPTABLE ACCELERATION OF THE RISING TREND IN IMPORTS FROM HONG KONG OVER THE PAST SEVERAL YEARS. THIS INCREASE IN IMPORTS IS UNDERMINING THE INTENT OF THE ORDERLY MARKET-ING AGREEMENTS AND IS INTERFERING WITH THE PRESIDENT'S ADJUSTMENT ASSISTANCE PROGRAM FOR THE DOMESTIC SHOE INDUSTRY. IF ALLOWED TO GO UNCHECKED IT WILL PROBABLY ENCOURAGE OTHER NON-OMA COUNTRIES TO UNDERTAKE A SIMILAR EXPANSION OF THEIR EXPORTS TO THE UNITED STATES MARKET.

YOU SHOULD, THEREFORE, APPROACH THE APPROPRIATE TCI OFFICIAL AND REQUEST THE INITIATION OF CONSULTATIONS IN WASHINGTON AT THE EARLIEST MUTUALLY AGREEABLE DATE ON LIMITED OFFICIAL USE

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THIS RAPID RISE IN IMPORTS FROM HONG KONG. IN SO DOING, ADVISE THAT ASSISTANT SPECIAL TRADE REPRESENTATIVE LANDE IS CALLING IN BRITISH EMBASSY COUNSELOR FOR HONG KONG COMMERCIAL AFFAIRS CROWSON TO MAKE THE SAME REQUEST.

6. TO FACILITATE OUR PREPARATIONS FOR THE CONSULTATIONS, WE WOULD LIKE TO KNOW (1) THE TCI ASSESSMENT OF THE PROSPECTIVE TREND OF HONG KONG SHIPMENTS OF FOOTWEAR TO THE UNITED STATES MARKET IN THE FORTHCOMING MONTHS, (2) THE TYPES OF FOOTWEAR BEING EXPORTED FROM HONG KONG, (3) THE PROPORTION OF SUCH FOOTWEAR COMPRISED OF SHOES PARTLY MADE IN TAIWAN AND KOREA AND FINISHED IN HONG KONG, AND (4) DETAILS OF THE ADMINISTRATION OF THE HONG KONG FOOTWEAR TRADE MONITORING SYSTEM AS PROMISED IN REFTEL (D). VANCE

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